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ABSTRACT

The United States' declining share of world trade is connected with the fact that hundreds of thousands of medium- and small-sized businesses are ignoring trade and exports. The cure for their fear of the unknown is information and education. Exports have a number of advantages: increased profits, spread of overhead costs, smooth seasonal fluctuations, increased productivity and competitiveness, tax advantages, and extended product life cycles. In many ways, international trade is not different than expanding into a new region of the United States. It is different in some ways: new needs and tastes; different forms of distribution duties, quotas, licenses; more complicated and costly shipping, documentation, and insurance; and different financing and payment terms and methods. The best place to begin is at the nearest office of the U.S. Department of Commerce. Its International Trade Administration offers information services through Commercial Information Management System in three categories: identification and assessment of markets, contact services, and promotion. Books on exporting are available from the government. Other useful government agencies are the Export-Import Bank of the Small Business Administration and the District Export Council. Individual states are becoming increasingly active in encouraging, stimulating, and servicing medium and small businesses that wish to explore and expand into exporting. World Trade Centers, local trade associations, private consultants, export management companies, and private trade firms offer market research services and other support. (YLB)

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GROWING BUSINESSES

International Trade: A Small Business Primer

Roger E. Axtell

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
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International Trade: A Small Business Primer

Roger E. Axtell *

If you have any doubt that we live in a shrinking world, ask yourself this series of questions:

Ten years ago, or even five years ago, did you ever think that:

- McDonald's would sell more hamburgers on the streets of Tokyo each day than in New York City?
- The president of Peru would be named Alberto Fujimori, of Japanese descent, who earned his master's degree in Milwaukee?
- Your medical insurance form would be processed by a computer operator in Ireland?
- A top symphony conductor in the United States would be Japanese, and the top sumo wrestler in Japan would be an American?
- They would be selling bits of the Berlin Wall at K-Mart?

We are witnessing the internationalization of the marketplace. Is this good? Is it desirable for us as a nation? And, is participation in this international marketplace desirable for you, as a small-business owner?

Let's look at the issues that concern us as a nation first. The U.S. Department of Commerce calculates that every $1 billion in exports of manufactured goods creates 20,000 jobs. That's a pretty solid reason to support exporting right there. The Department of Commerce also reports that in the past five years, nearly five million new jobs in manufacturing were export-related. Presently, one of every six manufacturing jobs is directly dependent upon foreign trade. Clearly, exports are vital to a healthy economy.

Heading the list of exports are capital goods such as aircraft, supercomputers, or heavy machinery, followed by industrial supplies and material, then food, feed, and beverages. Until recently, agricultural exports have been the winner in the U.S. export competition. About one of every three acres of American farmland is harvested for export. However, embargoes placed for political reasons in the past decade or so have caused buying nations to either become more self-sufficient or else to find other sources, with the results that U.S. agricultural exports have been hurt.

While exports are clearly vital to the United States, we are not doing all we can, in comparison to other nations. In this decade, exports account for about 8 percent of the U.S. GNP; in Japan, exports represent 13 percent of GNP; in Great Britain, 22 percent; and in West Germany, 24 percent.

How does the vaunted American marketing machine do when it comes to exporting? The answer, in baseball terminology, is "about 22 games out of first place."

Consider these facts as determined by the U.S. Department of Commerce:

- Only about 100,000 U.S. firms are now actively exporting.
- Nearly twice that many — some 175,000 — U.S. firms are capable of exporting, but are not doing so.
- Less than one percent of American firms, or about 2,000 firms, account for 70 percent of U.S. exported manufactured goods.
- 100 U.S. companies account for about 50 percent of all U.S. exports of manufactured goods.

Back to the market share for a moment. Take the total of all trade done in the world and picture the United States in 1960 as accounting for one-quarter, or 25, percent of all trade. By 1970, the U.S. share of that market had slipped to about 16 percent. In 1990, the U.S. share was 12 percent. Any business with that dismal of a decline in market share should be scrambling for solutions.

As the former vice president of worldwide marketing of The Parker Pen Company, Mr. Axtell has lived and traveled abroad for over 30 years. Now retired, he is the author of four books on international business and behavior, including *The Do's and Taboos of International Trade: A Small Business Primer.* Currently, Mr. Axtell is a national speaker and dollar-a-year special assistant to Wisconsin Governor Tommy G. Thompson.

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Why are American businesses, especially those critical medium- and small-sized businesses, shunning international trade?

Is there a connection between that declining share of world trade and the fact that hundreds of thousands of medium- and small-sized American businesses are ignoring trade and exports? The answer from almost all observers is a resounding "yes."

Consider another related fundamental marketing term — competition. The U.S. National Foreign Trade Council estimates that about 80 percent of all U.S. industry now faces international competition. America, whose shores have never been invaded successfully by hostile forces in our 200-year history, is now host to our foreign competitors in a bloodless battle for sales and profit. Lennie Copeland and Lewis Griggs, in their excellent book Going International (Random House), described the incursion this way:

> International no longer means outside the country. So many foreign firms operate here that foreign is as close as across the hallway. For the first time a non-U.S. company, Germany's KNU subsidiary of Siemens, has won a contract to manage a U.S. nuclear plant. We are buying Japanese cars and electronics, Korean ships, Philippines underwear, Hong Kong watches, Taiwanese clothing, and Malaysian calculators. No black-and-white television sets sold in the United States are made in the United States. Foreigners now own such American symbols as Howard Johnson's, Baskin-Robbins Ice Cream, Saks Fifth Avenue, Alka-Seltzer, Chesterfield cigarettes, Bantam Books, and the Village Voice. A Saudi Arabian owns a majority interest in the National Bank of Georgia. Australians have bought Utah International. Kuwaitis own Santa Fe International. A Canadian company owns Paul Masson wines. Swiss Nestle's acquired Libby and Stouffer Foods, and more recently doubled its presence in the United States by buying Carnation.

And if that isn't startling enough, as Griggs and Copeland point out, one of the six largest exporters in the United States is actually a Japanese company, Mitsui & Co. USA, Inc.

How has this happened? Why are we so poor at trade and exporting? Again, Copeland and Griggs offer this evidence:

> Fewer than eight percent of U.S. colleges and universities require knowledge of a foreign language for entrance. Fewer than five percent of America's prospective teachers take any courses in international subjects as part of their professional training. Some years ago a UNESCO study in nine countries placed American students next-to-last in their comprehension of foreign cultures. Only a few years ago, 40 percent of high school seniors in a national poll thought Israel was an Arab nation.
>
> America's labor and management pool is critically deficient in skills required for competence today. Only 3.4 percent of M.B.A.s major in international courses. Curricula have not been internationalized to provide American graduates with the knowledge today's manager needs to maintain a competitive edge in the international arena. Nor are multinational organizations bringing managers up through the international divisions. Nearly two thirds of the presidents and chairmen of the largest international firms are guiding those companies without having had any experience in the international divisions or overseas.
>
> Meanwhile, other nationalities tend to be better informed about Americans. Mitsubishi has 650 to 800 employees in New York simply for the purpose of gathering information about American rivals and markets. One of the Japanese businessmen in the Going International films had been sent by his company to St. Louis to do nothing for the first few years but learn to understand Americans.

The Japanese are not alone. The so-called sleeping giant, the People's Republic of China, is hardly asleep when it comes to preparing its new generations for international trade. Television analyst and commentator Robin MacNeil reports that there are presently more people in China studying English than there are people in the United States.

W[illegible]re we shunning trade?

The penetrating question is: why are American businesses, especially those critical medium- and small-sized businesses, shunning international trade?

The Department of Commerce and other counselors offer this simple but shocking answer: fear of the unknown. It is human nature that what we don't know or understand, we dislike...even fear. When confronted with proposals to export, American business people throw up their hands in protest, saying "How will I get paid? I don't understand foreign currencies and I don't want to get paid in pesos that will be worth who knows what. Also, I don't know anything about how to ship overseas

— all that special documentation and insurance. And what about licenses to export? What about duties and tariffs? And besides that, they deal in metric. And if that isn't good enough reason, I don't speak any other language. No, sir. It isn't worth the trouble."

This attitude is understandable — myopic — but understandable. We live in the largest, wealthiest and most competitive county in the world. Succeeding in the U.S. market is an achievement in itself. Many medium- and small-sized companies have yet to enter certain regions within the United States, so why venture abroad?

Seeking answers to that question, some 7,500 independent businesses in the United States were surveyed in 1985 by the National Federation of Independent Business to determine exactly what prevented them from exploring or expanding into exports. The replies were as follows:

- Obtaining adequate, initial knowledge about exporting (72 percent);
- Identifying viable sales prospects abroad (61 percent);
- Understanding business protocols in other countries (57 percent);
- Selecting suitable target markets on the basis of the available information (57 percent).

What about those few small businesses that do venture into exports? How do fledgling exporters get pushed out of their comfortable American nests? Again, the survey by the NFIB showed that most frequently:

- The initial order was unsolicited. The international buyer found the U.S. supplier.
- The initial order was of modest size.
- The initial order came from an English-speaking country.

For almost 20 years, I have participated in classrooms, workshops, seminars and one-on-one counseling in an attempt to wipe away fears and encourage American businesses of all sizes to examine the opportunities in international trade. I did this for three reasons.

First, 36 years ago, I happened to join a company that discovered early in this century the values of word trade — The Parker Pen Company. My company encouraged me to contribute my time proselytizing others because they knew the multitude of benefits to both individual companies and to the nation in the form of profits, expansion, new jobs and even world peace. "Countries that trade together rarely go to war with one another," our chairman, Kenneth Parker, often said.

Second, I refuse to accept that American business managers will continue to allow apprehensions and insecurities to prevent them from venturing overseas. The American spirit of enterprise and success in business is much too strong.

Third, the cure is information and education. Famed educator Glenn Frank stated it succinctly: "We all too often underestimate the intelligence of the public and overestimate their stock of information." An intelligent and informed business public will brush away misunderstandings and fears and get the job done.

The advantages of exporting

It is time to ask the big question: "What's in it for me? What are the advantages for me and my company?"

Here are some of the answers:

Increase profits Repeated studies have shown that companies that export grow faster and also profit more than companies that do not export.

Spread overhead costs Incremental sales and production have the obvious benefit of spreading all overhead costs, from research and development to rent and utilities. This can favorably affect product costs, margins and pricing.

Smooth seasonal fluctuations Export sales often have longer lead times or operate on different seasonal patterns than in the U.S. market. This permits filling in slack periods in production with products for export.

Create new markets, repeat orders As new markets are opened and distribution is arranged, repeat orders begin to appear month after month and year after year.

Cushion declines in the U.S. market Exports offer some natural hedge against the possible ups and downs in your U.S. market.

Increase productivity More sales tend to lower per unit fixed costs and more fully utilize company personnel.

Increase your competitiveness As you become more aware of competition and competitive products in other markets, you will become more aware of opportunities for modifications and new products. Competing overseas also helps you become stronger when competing against foreign firms entering the U.S. market.

Offer tax advantages The U.S. government encourages exports through the formation of what is called Foreign International Sales Corporations of FISCs.

Extend product life cycles Exports to new markets often allow you to prolong the life of your current models and even help dispose of obsolete models.

Timing This list should be sufficient evidence

Repeated studies have shown that companies that export grow faster and also profit more than companies that do not export.

An open mind and a willingness to adapt are two qualities that will pay handsome rewards.

that exporting is advantageous at any time. But the opportunity is more timely now than at any juncture in recent history. The reason is dollar exchange rates. During 1985-1989, the dollar declined nearly 40 percent against other currencies. In exporting, that is directly comparable to offering your customers a 40 percent reduction in your price without you suffering one dollar loss in revenue. This has made more American products fall within the reach and purchasing power of more people around the world than ever before.

This last factor, timing, makes international trade and exporting more attractive and more exciting than ever before. Yes, current conditions will change. Yes, the cyclical nature of our economies will bring changes to dollar exchange rates. But a solid assault on new markets for export *now* might be the wisest strategic decision a company can make for the future growth of that company.

How and where to start

America was outer space to Christopher Columbus.
—Anonymous

Columbus set out to find a passage to the Indies for trade and failed; he found America instead. In the rest of this article, I hope to launch you on your private exploration of the world of trade. I will offer suggestions on exactly what to do at the beginning, and more importantly, where to go for help. Like Columbus, you may be in for some surprises, but they can be rewarding surprises.

We will assume that you presently have a good base of U.S. operations. Maybe you have even had an occasional inquiry or order from overseas. Or, perhaps you have simply decided to examine exporting as a business venture by itself. Maybe you are driven by one of the "reasons for exporting," such as to smooth seasonal fluctuations, to use up extra capacity and spread overhead costs, or that most common motive of all, to seek new markets for more growth and profit.

The first step is to ask the following question:

Am I ready and willing to spend a few months doing desktop research, traveling to government offices, learning the fundamentals of the game, and generally schooling myself on what's involved and who is out there to help me?

You can plan on two to three months' time for this, plus some out-of-pocket expense for mileage, phone calls, and maybe overnight accommodations. Additional costs might be incurred if you choose to buy some of the market research reports offered by the U.S. Department of Commerce.

At the end of this first stage, you will then face another crossroad with the question "Does this still look attractive?" If the answer is "yes," then a more serious decision is required, one centering on commitment: "Am I, or my management, willing to draft a marketing plan, commit some time, money, and other resources to have a whirl at this new venture?" This matter of management commitment is crucial to everything else you may do thereafter.

How international trade is different

Is it different? The quick answer is that in many ways it is no different than expanding into a new region of the United States. It takes time, research, planning, travel, adapting to new conditions, finding new customers or distributors, and — as always — some risk.

It is different, however, in these ways:

- New needs and new tastes are likely.
- There are new and different forms of distribution duties, quotas, licenses; other new burdens are added.
- Distances are greater and therefore shipping, documentation and insurance are more complicated and more costly.
- Financing and payment terms and methods are often different; even pricing can be different.
- Cultural peculiarities pop up.
- Time zones are an early nuisance (but quickly overcome).

These differences are what this article is all about. An open mind and a willingness to adapt are two qualities that will pay handsome rewards. The worst attitude is one that says "American methods and marketing techniques are the most advanced in the world. All I have to do is export my methods along with my product." Wrong! Here is a classic example:

The American pharmaceutical industry is known as one of the most sophisticated marketing machines in the world. The reason is that their market — the medical profession — is, at the same time, the most clearly defined, best educated, highest paid target audience ever assembled. Consequently, advertising and promotional material for new drugs are presented in slick four-color presentations filled with artistic quality and content.

One of these pharmaceutical firms introduced a new drug for curing intestinal worms in humans. It was an immediate success in the United States and so the firm decided to market the product overseas, especially in certain African markets where they were certain the

U.S. Department of Agriculture: A case study

I decided to test my own advice in these pages and play the role of neophyte exporter. I had worked with Department of Commerce officials for more than 25 years, but had scant experience in agriculture. I was aware that the United States was the world's largest exporter of agricultural products and that our farms were among the most productive and efficient in the world. But I was curious to see how the system worked if I simply picked up the telephone, called the nearest government agricultural agency and said "I am interested in exporting agricultural products. Can you help me?"

The FAS is responsible for market intelligence, market access and market development.

The answer arrived in the mail three days later — six inches high and eight pounds of it. I received three hefty packets of leaflets, reprints, booklets and guides. The accompanying letter explained that each packet pertained to a special category of exporting, including forestry products, food, and cattle — the three most common agricultural exports.

If your state has a state department of agriculture, begin there. They will outline state services and quickly acquaint you with the variety of aids provided by the U.S. Department of Agriculture (USDA) or, more specifically, the Foreign Agricultural Services (FAS) which is a part of the Agriculture Department. Unlike the Commerce Department, USDA does not have field offices. Most states have a cooperative agreement with Washington, and so the agency within state government responsible for agriculture will be your key linkage to all state and federal services.

"We try to offer one-stop shopping services," David Hammer, my local state official, explained. "When someone contacts us for help with exporting, we provide information on state services, federal services, and any specialized services for unusual agricultural exports — leather hides, for instance."

The FAS is responsible for four areas: market intelligence, market access, market development, and it is the lead unit in administering the USDA's export credit programs and foreign assistance.

Providing information is the job of about 100 professional U.S. agriculturalists who are posted in about 70 American embassies around the world. They provide information on more than 100 different countries: foreign government agricultural policies, analysis of supply and demand conditions, commercial trade relationships and market opportunities.

This intelligence is digested and issued in periodic reports on a commodity-by-commodity basis. FAS publications include:

- *Ag Exporter Magazine*, a monthly magazine on foreign agricultural conditions, market development and trade
- *FAS Circular*, a specialized commodity report covering global production and trade for many commodities
- *Weekly Roundup of World Production and Trade*, which highlights of current developments in international agriculture
- *World Crop Production Report*, a monthly report of USDA production estimates for grain, cotton, and oilseeds in major countries and selected regions of the world.

To subscribe to any of these publications, contact the FAS Information Division, Room 5918-S, USDA, Washington, DC 20250.

Of special interest is the Ag Export Connections, a computerized system to handle trade inquiries from foreign importers for specific products. This service is available by contacting the FAS High Value Products Division, Room 4939-S, Washington, DC 20250.

If you are part of a commodity trade association, the FAS is probably already working with your association through its "cooperator program." These market development projects involve some 75 trade associations, from grains and soybeans to leather and logs.

Other marketing services offered by FAS include:

- *Trade Leads Now* is a weekly trade letter containing all inquiries received each week. The FAS advises that this is more appropriate for exporters and trade associations dealing with a range of products.
- Trade exhibits help introduce and promote agricultural products overseas.

Risk protection against nonpayment by foreign banks is offered to U.S. exporters through the USDA's Export Credit Guarantee Program.

After becoming acquainted with all of these federal services, the next step is to meet with a representative of your state agricultural agency. At that meeting, they will run an assessment of your exporting capability: management commitment, capital resources, and product suitability. "We then arrive at a 'red light/green light' decision point," my state official explained. "If signs do not point to exporting, we turn them over to our domestic service which may help them find new markets within the United States."

Farm equipment and machinery products are the responsibility of the Department of Commerce, while commodities or processed foods or value-added products (e.g., leather, forestry products) and biotechnology-related products are the responsibility of agricultural trade specialists.

The best single piece of advice is: Run, don't walk, to the nearest Department of Commerce District Office.

The FAS has developed a list of 10 steps to marketing success which concisely enumerate the exporting process regardless of product. Here they are:

- Seek out potential customers overseas.
- Determine product tastes and preferences.
- Encourage removal of import barriers where necessary.
- Introduce product offerings to potential customers.
- Provide quality products that meet customer needs.
- Price products competitively.
- Take advantage of USDA credit programs.
- Follow up sales to ensure satisfaction of buyers.
- Demonstrate commitment to export market sales.
- Be attuned to business etiquette.

problem of intestinal worms was highly prevalent. They used the U.S. advertising-promotion campaign but nothing happened. No demand occurred even though they were absolutely certain the product was needed.

A local advertising agency in Africa approached them saying "We think we know what the problem is. Your fancy American advertising approach is too indirect, too delicate. Let us have a try." They were told to proceed.

The new agency produced an ad showing a pile of human excrement with worms crawling in it. The results were almost instantaneous; victims said "That's what I have." And the sales curve began climbing.

As crude as that true story may seem, the message is clear. What was crude to Americans was clear communication in another culture. American ways are not always effective in new markets. Among your research tools, insert a mental reminder saying, "Remember — open mind, willingness to adapt."

U.S. government services

Good news for the first step forward in your odyssey: there is probably universal agreement that the best single place to begin is at the nearest office of the U.S. Department of Commerce. Within DoC, as it is referred to, resides a group called the International Trade Administration (ITA), and so closely a part of the ITA as to be almost one-in-the-same is the United States and Foreign Commercial Service (US&FCS). This is the place to begin. This is the starting line, the first tee, and home plate all wrapped into one. Their number is 1-800-USA-TRAD.

The best single piece of advice for the new-to-export researcher is: Run, don't walk, to the nearest Department of Commerce District Office. Make an appointment to meet one of the trade specialists there, or ask him or her to visit you in your own office. These trade specialists spend a great portion of their time on the road. However, you will probably want to personally visit the DoC office in order to become acquainted first-hand with the multitude of services offered to businesses interested in all forms of international trade.

Some who made that journey complain "Yes, I went to the local Commerce office and I ran into a snowstorm of paper." You have to realize that the trade specialists can hardly be expected to provide immediate and detailed data on your specific product — whether it be pool pumps or pool cues. First, it is essential to review the full menu of services offered by the US&FCS, as we will do shortly in this article. Then, it is essential to determine the precise category that your product fits within the huge government classification system. For example:

A manufacturer of navigational equipment had the Commerce office do a computer search on which countries were manufacturing certain navigational devices. The answer turned up: Canada. From practical knowledge, the firm thought this was wrong. Further digging discovered that the proper terminology for the search was "electronic radio directional instruments." The computer was looking in the wrong cubbyhole. The right answer turned out to be Japan.

Although it may seem that you have been hit by a deluge of paper, remember, DoC is like a large haystack full of information and, with their help, you are searching for your particular needle.

DoC advertises that it has 1,300 trade professionals to help your company export around the world. These specialists are located in 67 cities across America and in 127 cities overseas. The full-time responsibility of these trade specialists in each district office of DoC is to reach out to businesses interested in international trade. The Commerce Department reports that over 100,000 one-on-one counseling sessions are held each year with U.S. companies. These home-based technicians are supplemented by commercial offices attached to U.S. embassies and consulates overseas who collect foreign market data, search for sales leads, identify qualified buyers and government officials, and counsel firms frustrated by trade barriers.

One of the first steps taken by the trade specialist in your district office will be to pinpoint your SIC number. This stands for Standard Industrial Classification, which is a standard numerical code system used by the U.S. government to classify products and services. Memorizing your particular SIC number is as useful as knowing your own telephone number, because it will help you again and again in your research.

On your first visit to the ITA office in your region, after discussing the preliminaries, the first important acronym you will learn is CIMS, which stands for Commercial Information Management System. This new automated system electronically links the information resources of all ITA offices worldwide. It was installed in 1988. Prior to this, you would have had to apply for market information which would arrive later in the form of leaflets, printouts, printed reports, spread sheets and pamphlets.

CIMS allows your trade specialist to sit down at a computer information terminal, access the data base in Washington, and immediately access the information you need about your product category and about the geographic regions that interest you. Furthermore, where previous printed materials often dealt with general information on industrial segments, the information supplied by CIMS can be more tailored to your situation, whether in manufactured goods or the service industry.

The cost for CIMS, at the time of this writing, is $10 per report.

A synopsis of some of the valuable information services offered by CIMS and the DoC/ITA/US&FCS follows. It is a rich platter of services — presented in condensed form here — fully deserving close examination and understanding. Your Commerce office has leaflets describing CIMS and the other services described here, but for best results, visit the office and carefully review each one. The services are divided into three categories:

- Identification and assessment of markets for your product,
- Contact services — ways to put you in touch with specific markets,
- Promotion — ways to help promote your product overseas.

DoC has 1,300 trade professionals to help your company export around the world.

Identification and assessment

Export statistics are available that tell you the U.S. exports for a ***single*** basic industry, product-by-product and country-by-country, over each of the last five years. Data are often ranked in order of dollar value to quickly identify the leading products and industries. This information was originally called Export Statistics Profile (ESP) before the CIMS program, but the same basic information can now be accessed automatically from computer diskettes virtually as you sit in the ITA office. This information consists of tables showing the sales of each generic product in the industry by country, as well as competitive information, growth, and expectations for the future . These include briefs on export markets — narrative analyses highlighting the industry's prospects, performance and leading products. These export statistics have been prepared by Commerce for several dozen basic industry classifications, with more being added each year.

When you want to zero in on U.S. *exports to a particular country*, CIMS provides five-year trends of U.S. manufacturing and agricultural exports to a particular country. You can also obtain a comparison of U.S. and world growth rates for that category over five-year periods. When combined with the export statistics described above, you can begin measuring the export potential of your product country-by- country.

A Guide to the Acronyms of International Trade

ADS	Agent Distributor Service
ASBDC	Association of Small Business Development Centers
CD-ROM	Compact Disc-Read Only Memory
CIMS	Commercial Information Management System
CNUSA	*Commerce News USA*
DEC	District Export Council
DoC	United States Department of Commerce
EMC	Export Management Company
ESP	Export Statistics Profile
ETC	Export Trading Company
FAS	Foreign Agricultural Services
FET	Foreign Economic Trends
FISC	Foreign International Sales Corporation
FTZ	Foreign Trade Zone
GATT	General Agreement on Tariffs and Trade
GNP	Gross National Product
IMS	International Market Search
IOGA	Industry-Organized Government-Approved Trade Mission
ISAC	Industry Sector Advisory Committee
ISBN	International Standard Book Number
ITA	International Trade Administration
NASDA	National Association of State Development Agencies
NFIB	National Federation of Independent Business
NTDB	National Trade Data Bank
OBR	Overseas Business Reports
SBA	Small Business Administration
SBDC	Small Business Development Center
SCORE	Service Corps of Retired Executives
SIC	Standard Industrial Classification
SOGA	State-Organized Government-Approved Trade Mission
TOP	Trade Opportunities Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
US&FCS	United States and Foreign Commercial Service
USDA	United States Department of Agriculture
WTC	World Trade Center
WTDR	World Traders Data Report

Be patient. The early research process is one of sorting and sifting.

One possible early frustration will be that these statistics will deal with, say, medical instrumentation and your product pertains to only one thin slice: let's say it electronically monitors heart performance. Be patient. The early research process is one of sorting and sifting. Stick with it.

International market research is also stored in CIMS and you can receive reports that are in-depth analyses for one industry in one country. Reports include information such as market size and outlook, end-user analysis, distribution channels, cultural characteristics, business customs and practices, competitive situation, trade barriers and trade contacts.

In addition, basic import information, as well as country-specific, industry specific and industry-country information can be obtained from the DoC's National Trade Data Bank (NTDB), available on CD-ROM for $360 annually or $35 per disc.

Market research is also available for 50 key industry groups such as agricultural machinery/equipment, communications equipment, computers and peripherals, electric power systems, electronic components, equipment and materials

for electronic components production, food processing and packaging equipment, graphic industries equipment, industrial process controls, laboratory instruments, machine tools, medical equipment, and sporting goods and recreational equipment.

Unique marketing opportunities, such as the construction of a new hydroelectric plant or an entire cement factory, are collected and made available through CIMS. You can inquire where new cement factory opportunities exist or, instead, about any new major marketing opportunities in a specific country.

Overseas Business Reports (OBR) are still available in printed form by subscription or via CIMS. *OBRs* provide basic background data for business people who are evaluating the general panorama of export markets. These reports discuss pertinent market factors in individual countries, present economic and commercial profiles of countries and regions, and issue semiannual outlooks for U.S. trade with specific countries. These reports also provide marketing data on best channels of distribution, tariff structures, investment rules and trade regulations.

Foreign Economic Trends (FET) are country specific reports, available either through CIMS or in a separate printed and bound form, that provide an in-depth review of business conditions and current prospects as well as a marketing outlook for U.S. products. From personal experience, these are helpful to take along on overseas business trips because they provide insight into a specific market and allow you to ask sound, intelligent questions about the history, geography, demographics and economics in that country.

Industry-specific statistical profiles are available via CIMS that include an export market brief with an overview of world demand for the industry and the prospects for U.S. exports. Also included is an export potential rating chart and product coverage guide.

Comparison Shopping Service, a customized research service, is available for many countries, including: Brazil, Canada, Colombia, France, West Germany, India, Indonesia, Italy, South Korea, Mexico, Philippines, Saudi Arabia, Singapore and the United Kingdom. Selected key marketing facts about a specific product will be researched in the particular country. Several basic questions will be answered, including: overall marketability; names of key competitors; comparative prices; customary entry, distribution, competitive and promotion practices; relevant trade barriers; leads to local firms for representation, licensing or joint venture. There is no standard fee for this service, though prices can range from $500 per report to as much as $5,000.

Contract services

The Agent/Distributor Service (ADS) helps you locate interested and qualified overseas agents or distributors for your products or service. The ADS report contains information on up to six qualified representatives with interest in your company's sales proposal, including the name and address of the firm and brief comments about the suitability of the firm as a trade contact. The charge for this service is $125 per country or Canadian province. The ADS is available for most countries and usually takes 30 to 60 days for processing.

The World Traders Data Report (WTDR), prepared by US&FCS officers abroad, provides information on a foreign company with which it plans to do business. This report contains information on that foreign company's organization, year established, size, number of employees, general reputation, language preferred, product lines handled, principle owners, and financial and trade references. Reports are not available for the United Kingdom. The cost is $100 per report.

Information on foreign firms that have traded with the United States is a service tailored to fit individual requests on specific products, companies and markets. These lists provide information such as the name and address of the firm, name and title of the chief executive, year established, relative size of the company, telephone/telex, products of service information, and type of business (e.g., manufacturer, wholesaler, distributor, etc.) Included in this program is a listing called the Foreign Traders Index. This index is designed to assist U.S. exporters by identifying key trade contacts abroad. It consists of compilations of potential agent/distributor products, major potential end-users, and publications and associations specifically elected in conjunction with each industry category. You can even order pre-printed mailing labels for these contacts. The minimum fee for this service is $10.

A continual access to timely sales leads from overseas firms seeking to buy or represent American products and services was originally called Trade Opportunities Program (TOP) and offered by the ITA. But as of 1988, this information was turned over to The Journal of Commerce, a daily newspaper, that is available by subscription for $189 for one year when you

Comparison Shopping Service, *a customized research service, is available for many countries.*

mention a referral from the Commerce Department.

Commercial News USA is a monthly magazine that provides worldwide publicity for U.S. products and services available for immediate export. It is sent through 170 U.S. embassies and consulates, to 110,000 business readers and 500,000 subscribers to private sector business-oriented electronic bulletin boards. Commercial News USA offers the following advertising services for U.S. firms:

Commercial News USA is a monthly magazine that provides worldwide publicity for U.S. products and services.

- *Commerce News USA (CNUSA)* — A company may place a short, promotional description of its product and photo in the magazine. To qualify, products must not have been sold on the U.S. market for more than two years and must be currently exporting to no more than three countries. CNUSA information on selected products is also broadcast by Voice of America. The charge is $250 per one-sixth page and is subject to change without prior notice.
- *International Market Search (IMS)* — Products which do not qualify for the CNUSA may be eligible for publication in special issues of this magazine, which promotes products and technology of a single industry only. Several industries a year are selected for promotion through this program. To qualify, products must conform to the industry being promoted and must currently be exported to no more than 15 countries on a regular basis. The charge for the IMS is also $250, which is subject to change.

Promotion

An overseas export promotion calendar, designed to help U.S. business firms take advantage of various promotional opportunities available from the DoC. It provides a 12-month schedule of U.S. Trade Center Exhibitions, International Trade Fairs, plus Catalog Shows and Trade Missions organized by DoC. The information can be retrieved either for all overseas promotions or for industry-specific events.

The Matchmakers Service is the newest service offered by the ITA, and it is the best service for small- to medium-sized businesses that are new to exportation. This is what Commerce officials describe as a "high-visibility trade event" designed to introduce companies to new marketing opportunities abroad. These events are four- and five-day meetings or exhibitions, in specific major cities, and they concentrate on specific industry categories. For example, in 1988 Matchmaker events were held in Riyadh, Saudi Arabia for agribusiness equipment, in Toronto and Montreal, Canada for telecommunications, computers, and peripherals and process controls, and in Brussels, Amsterdam and Luxembourg for health care products and services. This program brings your company face-to-face with potential agents and distributors who might make a good "match" for your marketing objectives. These events are limited to 20 to 25 U.S. companies and fees are charged for participation. The fee includes embassy briefings; on-the-spot counseling by legal, financial, and industry specialists during the event; and one-on-one business appointments with potential licensees and joint venture partners. This Matchmaker program is co-sponsored by the Small Business Administration (SBA), which provides some financial support to a limited number of qualified businesses participating.

There are now only four permanent U.S. *Trade Centers* located around the world, operated by DoC to provide U.S. firms with exhibition of their products to potential buyers. Located in Tokyo, Mexico City, Seoul and London, these Trade Centers provide year-round facilities for display and demonstration of U.S. products. An American firm with products that fit a particular show's product theme may exhibit for a participation fee. The Trade Center staff conducts a widespread market promotion campaign, special trade showings, conferences, and press reviews to attract importers, distributors, agents, buyers and users to the exhibition. In addition, when major exhibitions are desired in other major world cities, ITA will contract for that space when needed.

In addition to exhibitions at the Trade Centers, U.S. pavilions at *International Trade Fairs* offer manufacturers and representatives opportunities to display their products at trade fairs around the globe. If there are no trade fairs in a particular market, the U.S. Department of Commerce may arrange a solo exhibition of American products. These exhibitions at trade fairs provide American firms with highly attractive, inviting, and functional exhibit areas at costs which vary from exhibition to exhibition, but which are far less than it would cost firms to exhibit on their own.

DoC sponsors four types of *Trade Missions* — U.S. Specialized, Industry-Organized Government-Approved (IOGA), Gold Key Services and State-Organized Government-Approved (SOGA). The objectives are sales and the establishment of agencies and representation overseas. *Specialized* missions group American companies with related products within given U.S. industry sectors to which Commerce

provides both an Advance Officer and Mission Director, and arranges an overseas itinerary, business appointments and receptions. These services are also available on an exclusive single-company basis through the Gold Key Service, available in over 20 overseas posts of the ITA. IOGA missions are organized and led by private export promotion organizations and receive substantial staff support from Commerce in the United States and abroad.

U.S. Catalog Exhibitions feature displays of U.S. product catalogs, sales brochures and other graphic sales aids at U.S. embassies and consulates or in conjunction with trade shows.

Video Catalog Exhibitions are videotape presentations which take the place of live product demonstrations. A U.S. industry technical representative is on hand to talk with potential buyers and answer questions.

U.S. Trade Centers have occasional periods when the exhibit floor is not in use. U.S. companies, or their agents, may use the facilities at these times for *between-show promotions.* Technical sales seminars are another form of promotion which fit into between-show promotions.

Miscellaneous services

The Office of Major Projects provides assistance to U.S. firms in identifying foreign capital projects with major export potential. Firms are informed of these projects and may receive assistance in competing for the contracts. The service is free.

The US&FCS sponsors the *Foreign Buyer Program* special trade shows for U.S. industries with high export potential targeted at foreign buyers, agents and distributors, potential licensees or joint venture partners.

If your head is swimming from this long catalog of DoC services, consider this. When you visit with your trade specialist, review each of these programs and ask to see examples of each form and data sheet. This will help you decide if the information is specific enough and useful for your purposes. Then you can select the ones you may wish to purchase.

Common sense will also assist. You already know that no one can sell vodka to the Russians or snowmobiles to the Sahara. But you *do* already know your product, your industry, your competitors — both national and foreign — and you may even have a rough idea which geographic areas are your most likely end markets. For example, it makes good sense to look at America's leading trading partner, Canada. In January, 1989, the United States and Canada signed a historic trade agreement that within the next decade will create the world's largest free-trade zone. You might begin your search exercise with Canada.

Working with government agencies can result in rewarding surprises. Let me relate a personal experience.

In preparation for the 1976 round of GATT (General Agreement on Tariffs & Trade) negotiations, the Department of Commerce formed what were termed Industry Sector Advisory Committees (or ISACs). The purpose of these advisory committees was to tell the government negotiators what concessions they should seek from our trading partners.

The writing instrument industry was invited to participate and, since I represented The Parker Pen Company in our industry association and headed the international trade subcommittee, I was asked to represent our industry interests.

Twenty-six ISACs were formed and we were placed in Number 26, gloriously titled *Miscellaneous.* Our pens and pencils were lumped in with musical instruments, sporting goods, and buttons, which caused me to immediately assume we would be lost in the crowd.

Undaunted, our industry formulated a trade position which simply said: "We are in favor of freer trade and will agree to reductions in tariff and non-tariff barriers on the importation of pens into the U.S. if our trading partners will grant comparable and equivalent concessions in their markets."

To our great surprise, at one stage during the negotiating process, Commerce officials encouraged us to visit Geneva, Switzerland, where the actual trade talks were being held. With the executive secretary of our association, I flew to Geneva and sat down with our negotiators.

"What does your industry want?" they asked. I told them and, impressively, they produced spreadsheets showing all the tariff and non-tariff barriers on pens for each major trading country. We systematically went through the list and developed our desired "comparable and equivalent concessions."

Months later, our industry learned that we had received exactly what we had proposed in Geneva. We had offered concessions amounting to 60 percent reductions, spread over eight years, on tariffs levied on writing instruments coming into the United States if our major trading partners did the same. The other nations not only agreed but, as it turned out in succeeding years, the Japanese government actually accelerated the reductions and installed them in less than six years. The system had worked.

The Office of Major Projects *provides assistance to U.S. firms in identifying foreign capital projects with major export potential.*

Books to obtain

Early in your desktop research, you should obtain several valuable books from the government:

- The first is titled *A Basic Guide to Exporting,* published by the U.S. Department of Commerce. Your district office can help you obtain a copy, or you can write the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402-9325. The cost is $8.50, ISBN (stock number) is 003-009-00487-0. Another place to look for this booklet is your local library. This is, perhaps, the best single booklet on exporting and will serve you just as the title states, as a basic guide.
- *Government Periodicals and Subscription Services* is a booklet also available from the Superintendent of Documents. This is an index of all publications offered to the public by all agencies of government. Under the Department of Commerce, some 40 different publications are listed. For the Department of Agriculture, there are no less than 66 different publications offered. This index can be a good basic resource for your library.
- A bimonthly magazine that is a nongovernment publication called *Export Today* contains many timely and helpful articles on exporting and will help you keep abreast of changes and new ideas. Subscriptions are available for $49 per year by writing to *Export Today,* 733 15th Street N.W., Suite 1100, Washington, DC 20005 or by phoning 202-737-1060.

The Export-Import Bank aids with export financing and helps U.S. exporters compete against foreign government subsidized financing.

Other government agencies

Aside from the Department of Commerce, there are several other agencies that may eventually prove useful to firms expanding into overseas markets.

The Export-Import Bank aids with export financing and helps U.S. exporters compete against foreign government subsidized financing.

The SBA offers various types of assistance to small or minority exporters through two programs: business development assistance and financial assistance. The SBA also supervises SCORE, an acronym for a service corps of senior retired executives who are available for counseling in all facets of business. If you are fortunate to have a SCORE group in your area, and if you can be paired with the right executive, the years of experience and knowledge available to you, at no charge, can be extremely valuable. Field offices of the SBA are located throughout the country.

In both of these cases, and for other government services, it is probably best to confer with the trade specialist at your district DoC office to learn if, how, when and where these other agencies could be helpful to you.

Another service group you should know about is the District Export Council (DEC) in your area. There are 51 DECs in the country comprised of 1,500 experienced business people — experienced, that is, in international trade, many of them from small businesses. These mentors donate their time to help stimulate exports and trade from the United States. They work in conjunction with the local DoC district office and provide a variety of services — seminars, counseling, training, workshops — for the neophyte to international trade.

State-sponsored assistance

Individual states are becoming increasingly active in encouraging, stimulating and servicing medium and small businesses that wish to explore and expand into exporting. In fact, each US&FCS office has signed a partnership agreement with its corresponding state.

Just one manifestation of this growing state-sponsored activity is that the Japanese have become accustomed to seeing not one, but several state governors in Tokyo at the same time, heading trade missions, and courting both exports to Japan and Japanese investment in their states. In fact, 41 states have trade offices located in Japan for both those objectives.

The National Association of State Development Agencies (NASDA) reports that at last count at least 44 states were operating a total of 163 offices in over 25 countries overseas. Further, this same association reports that states now spend almost $92 million a year on export promotion and attracting foreign direct investment (often called "reverse investment"). This is an increase of nearly $52 million in the past four years, with the average state expenditure on trade promotion now just under $2 million.

After your visit to the U.S. Department of Commerce district office, you would be wise to also contact the agency in your state designed to promote trade.

Another agency to contact is called the Small Business Development Center (SBDC). This is often a joint service funded by both federal and state funds, and is often located on university campuses. There are between 700 and 800 of these centers around the United States, and they are located in every state. (For a listing of SBDC headquarters, write to the ASBDC, 1313 Farnam, Suite 132, Omaha, NE 68182-0472.) Certain states have well-developed SBDCs, which are extremely valuable resources for small businesses. They assist with everything from start-up to technology development to patent evaluation to exporting.

The most active support area for states appears to be in financing. Some 21 states have

passed legislation to create export finance assistance. This assistance ranges from seed money at low interest rates to pre-shipment loans for labor, material and other expenses, to post-export loans (or loan guarantees) to permit an exporter to provide more flexible terms for the foreign buyer. Until states began to take some of this burden, the only alternative for businesses that were unable to get commercial loans was with the Export-Import Bank.

Financing for export is extremely important. In order to export, businesses often need guarantees to protect their bankers from loss in case the businesses fail to deliver their products abroad, and they need insurance in case they cannot collect when they do deliver. Small businesses have the hardest time, according to L. Fargo Wells, director of California's Export Financing Authority: "They're too small for the big banks, and the smaller banks don't want to touch deals with foreign receivables" because of the difficulties of putting together an international transaction and the risk of not being able to collect. As a result, many states now offer financing programs and five states have even joined to form the mid-South Regional Trade Council (Arkansas, Alabama, Louisiana, Mississippi and Tennessee.)

Here is a cross-section of states and a sampling of their individual programs designed to stimulate trade:

- Montana's Governor Ted Schwinden was the guest of honor at a large beef fair in Tokyo and his state now exports 90 tons of beef to beef-starved Japan.
- Both Alaska and Wisconsin have established a special relationship with Heilongjiang Province in the People's Republic of China, to which Alaska now sends $40 million a year in exports of timber, fertilizer and oil-related products.
- Wisconsin's Governor Tommy G. Thompson, in his first two years of office, led five trade missions abroad and helped create a World Trade Center in Milwaukee. In addition, his Advisory Council on International Trade has created mentor programs, established honorary attaches in seven countries, briefed all state legislators on trade issues, entertained 65 Consul Generals from the Chicago area, and generally raised the level of awareness and interest throughout the state which records $6.1 billion each year in exports.
- Oklahoma found a market for its oil-drilling equipment by opening the first state trade office in India.
- Maryland offers matching grants to countries that join together and come up with innovative ideas for exporting. Director Harold Zassenhaus calls his work with medium- and small-sized businesses "hand-holding" but has helped market abroad soft-shell crabs, wooden toys, medical equipment and dredges. His office even helped a Maryland firm that manufactures wave-making machines for amusement park wave pools sell its product to a French boat designer for use in stress-testing of sailboat hulls.
- New York got an early start with export promotion when Governor Nelson A. Rockefeller launched his program in the early 1960s. Today, they rely on developing "trade leads" for state businesses and have established working relationships with 11,000 businesses in New York State. Further, New York has established trade offices in London, Wiesbaden, Tokyo, Montreal, Toronto, Dublin and Milan.

Some 21 states have passed legislation to create export finance assistance.

Fifty-two cities have named official protocol officers to assure that relationships with overseas visitors are handled with diplomacy and tact. St. Paul, Minnesota, has a trade director for the city itself and helps sell locally made products via video films sent to overseas trade shows.

Port cities are especially active. Cities such as Miami, New Orleans, Seattle and Los Angeles all have burgeoning export promotion programs.

From 1983 to 1985, Madison County, Alabama, sold $1 billion worth of goods to buyers overseas, probably qualifying it for the largest and most ambitious county trade program in the country.

The list of city, county and state initiatives grows each year. Your trade specialist at DoC will know who, what, when, and where activities are available to assist you. This is further affirmation that the timing is right for international trade.

Foreign trade zones

If you are currently importing any parts of subassemblies for your product, or if you are considering this for the future, you should acquaint yourself with the possible advantages offered by Foreign Trade Zones (FTZs).

These zones are permitted by the U.S. government, and growth and activity within them are booming. At this writing, there are a total of 378 general and specific purpose FTZs scattered among 49 states and Puerto Rico. In 1975, there were only 27. About $184 billion of goods moved through them in 1990. All three major U.S. auto makers use them along with many of America's largest companies.

An FTZ is defined by law as an "isolated, enclosed, and policed area, operated as a public

utility, in or adjacent to a port of entry, furnished with facilities for lading, unlading, handling, storing, manipulating, manufacturing and exhibiting goods, and for reshipping them by land, water or air."

The purpose is to encourage final processing in the United States of a variety of imported goods rather than having that processing take place in the country of origin. This special concession by the government may reduce the value of imports, thus improving the U.S. balance of trade. It may also create jobs by employing people in the zones and by causing increased production of U.S.-made components that are incorporated into imported goods.

The National Association of Foreign Trade Zones explains them this way:

A Foreign Trade Zone is a site within the United States, at or near a U.S. customs port of entry, where foreign and domestic merchandise is generally considered to be in international commerce. Foreign or domestic merchandise may enter this enclave without a formal customs entry or the payment of custom duties or government excise taxes.

Merchandise entering a zone may be:

Stored	Mixed
Tested	Cleaned
Sampled	Assembled
Relabeled	Manufactured
Repackaged	Salvaged
Displayed	Destroyed
Repaired	Processed
Manipulated	

If the final product is exported from the United States, no U.S. custom duty or excise tax is levied. If, however, the final product is imported into the United States, customs duty and excise taxes are due only at the time of transfer from the Foreign Trade Zone and formal entry in the United States. The duty paid is the lower of that applicable to the product itself or its component parts. Thus, zones provide opportunities to realize customs duty savings by zone users. In addition, zone procedures provide one of the most flexible methods of handling domestic and imported merchandise.

As we have learned, FTZs are useful to exporters if and when they bring imported parts or subassemblies into the United States, combine them with a U.S.-made product, and then export the final product. Thus, the benefits include savings on customs duty, indefinite storage time of goods to allow an exporter to ship goods out of the zone at the most favorable time, and side-benefits such as local quality control and local employment.

World Trade Centers, local trade associations and private consultants offer market research services and other types of support.

While in this area of importing parts, combining them with U.S.-made components and then exporting them, you should probably be aware of the term "duty drawback". The U.S. government allows you to import certain parts without paying duty on them at the time if they are ultimately intended for export. The rationale is to encourage American commerce or manufacturing to compete in foreign markets without the handicap of additional cost from duties paid to import materials, parts or components that are eventually exported. You must either pay the duty and request repayment later (called a drawback), or the government will allow you to post a bond, which insures those duty payments. In the case of posting the bond, you import the parts and then export them at a later date while keeping meticulous records to verify that they were, indeed, exported. You recover 99 percent of the import duty, the remaining 1 percent going to the U.S. government to help defray its costs. To obtain a drawback, you must first prepare a proposal and file it with a Regional Commissioner of Customs for 1313(a) drawback.

You have three to five years to export the imported item, and payment of the drawback can, under certain conditions, be paid to you within two months. In this case, however, you must file for an accelerated payment.

The availability of Foreign Trade Zones and features like duty drawback may be superfluous to a company just starting to look at the export process, but these are services made available by federal law and it may be useful to at least be acquainted with them. They could prove valuable at a later time.

Additional Organizations

While the U.S. government is both first base and the starting lineup for assistance, it is by no means the only source of help. World Trade Centers, local trade associations, private consultants, expert management companies, private trade firms, offer market research services and others types of support.

World Trade Centers There are currently 71 World Trade Centers (WTCs) around the world, with another 150 either under construction or in the planning stage. The idea in America first materialized in Houston as far back as 1927. There the objective was to encourage foreign commerce and the growth of the Port of Houston and other Texas ports. New Orleans was another of the earlier North American world trade centers, established in 1943 to "promote world peace, trade, and understanding." This

Center is very important to Louisiana because the state lacks a manufacturing base but has an excellent year-round port. The New York World Trade Center was created in 1962 by the New York and New Jersey legislatures. The Port Authority there financed and built the World Trade Center, which now serves as the headquarters for the Association of World Trade Centers around the world.

While these WTCs provide a locus, or gathering point, for people interested in trade, probably the most attractive, visible feature is an electronic network. This allows members (there is a membership fee) to quickly and economically relay information to all or to selective members of other WTCs around the world. The WTC Association claims this network service is capable of reaching 3.4 million readers at more than 400,000 international trading firms from Abidjan in the Ivory Coast to Xian in the People's Republic of China.

In reality, the network is nothing more than a high-tech bulletin board or messaging system that provides trade leads and a data base with others who have subscribed to the system.

World Trade Centers commonly offer other services. Depending on the sophistication of the WTC nearest you, they can usually be counted on to provide some combination of the following services: education, club services, information services, hosting, trade missions, exhibit space, temporary office space, and hotel discounts.

Local Trade Associations Many metropolitan areas have associations formed to represent and promote international trade. The size of the associations range from less than 50 members to as many as 600. Like an industry or trade association, these groups meet periodically for dinners, programs, seminars and workshops.

Qualifications for membership vary from group to group, but you will usually find them open, friendly and anxious to admit anyone interested and involved in international trade. Many of the members, as you might expect, are from the service side of the field — that means that they represent companies that offer insurance, shipping, financing, customs brokerage and other services related to trade. The remainder will be from industry, agriculture, education or government.

These association meetings offer an excellent common ground on which to become personally acquainted with professionals in international trade. Unfortunately, there is no common term or name for these groups, but your DoC trade specialist will undoubtedly be acquainted with the one closest to you.

Private Consultants and Export Management Companies As you realize that international trade is complex, yet filled with opportunities, it will be no great surprise to learn that a thriving and helpful cadre of private consulting and service firms is available. A list of these is probably as close as your nearest telephone book. Or, if you would like a free national listing of Export Management Companies (EMCs), called The Export Yellow Pages, write to Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. As is wise in choosing any specialist, ask to speak to some previous clients to obtain references for the firm or individual you choose.

Many metropolitan areas have associations formed to represent and promote international trade.

Just exactly what does an EMC do? Here is a list of services offered by most EMCs:

- Performs market research to help determine where you have the best opportunities to sell your product;
- Travels overseas on your behalf to examine markets and contact potential customers;
- Appoints overseas distributors or commission sales agents;
- Exhibits your products in international trade shows;
- Handles routine steps in getting your products to the overseas customer, such as export documentation, shipping, insurance, banking, etc.
- Arranges finance terms and assures payment to you;
- Prepares correspondence in the required foreign language;
- Advises on patent and trademark protection; and
- Ships merchandise from several manufacturers together at lower, negotiated rates.

In summary, your EMC will advertise that it "can be your entire export department," providing experience while handling all the necessary details of selling and shipping overseas.

EMCs operate on either a buy-and-sell arrangement, or on a straight commission basis. In the former, the EMC places the order with you, takes title to the merchandise and then turns around and sells it to the end customer. Under a commission arrangement, the EMC acts as your exclusive sales representative for certain markets or regions or even the whole world and simply charges a sales commission for its services. Commissions vary from 7.5 percent to 20 percent of the wholesale distributor price.

Most EMCs insist on a contract for at least 3 to 5 years. The reason for this is that it sometimes takes a full year or longer to develop

customers overseas. Without this measure of protection, the EMC could establish the sales chain and, once in place, you could eliminate the EMC as the middleman.

If you decide that you do not have the time, personnel, or money to develop foreign markets yourself, but you still see opportunities, then hiring an EMC may be the right decision.

There are, however, some limitations of EMCs, such as:

- EMCs are usually small and they may have limited financial resources. If they operate on a buy-sell arrangement, they will probably only buy from you when they have a firm order from a customer. Thus, they may not stock your product, which then slows the supply line and may result in lost sales.
- EMCs are like other wholesalers who focus their efforts on the most profitable business. New lines, or those with limited potential, may be overlooked.
- By using EMCs, you lose some control over sales. You must assume that the EMC is giving you your fair share of energy, but that is often difficult to judge.
- Some foreign buyers may resist buying from EMCs, preferring to deal directly with the manufacturer.
- Your product is usually one among many that the EMC is selling.

The EMC has many advantages but some disadvantages as well. It may be a quick and easy method to enter the world of export, but as a middleman, the EMC adds to the cost that may make your product less competitive overseas.

Export Trading Companies In a general way, Export Trading Companies (ETCs) act in the same manner as EMCs. Both provide services on behalf of a variety of clients and either may take title to some or all of the merchandise it exports. EMCs tend to concentrate on exporting, while ETCs engage in import and export between different countries. In addition, ETCs may engage directly in production, transportation, distribution, financing, and even resource development. EMCs, as we have learned, act as a wholesaler or intermediary between you and export customers abroad.

At this writing, 125 organizations have received an Export Trade Certificate from the Commerce Department.

Export Trading Companies are not abundant in the United States. However, your DoC trade specialist will know where the nearest one is and if and how it specializes.

A distinction should be made between private Export Trading Companies and those permitted by the Trade Act of 1982 which are called government certified ETCs. The latter was a long-considered and innovative step by the federal government which allows firms in a common industry to form specialized trading companies, also called ETCs, for the purpose of international trade. At this writing, 125 organizations have received an Export Trade Certificate from the Commerce Department. The chief advantage is that after the somewhat complex task of achieving government sanction, these ETCs can consist of firms normally in competition with one another. Further, they are exempt from anti-trust enforcement in the United States if they consult one another on pricing. (This must be pricing for export only.) Note that these government ETCs are exempt from anti-trust enforcement in the United States; this does not exempt them from anti-trust regulations in other countries, if such regulations exist.

One of the six largest general (noncertified) ETCs in the United States is Mitsui & Co. USA, Inc. This Japanese-owned firm also happens to be one of the largest exporters in the United States.

As you explore alternative ways to sell your product overseas, be certain to take time to become knowledgeable about EMCs, private consultants, and ETCs. They just might offer the right solution in your particular situation. ■

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